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ROMAN

Roman Corporation
Annual Report
1980

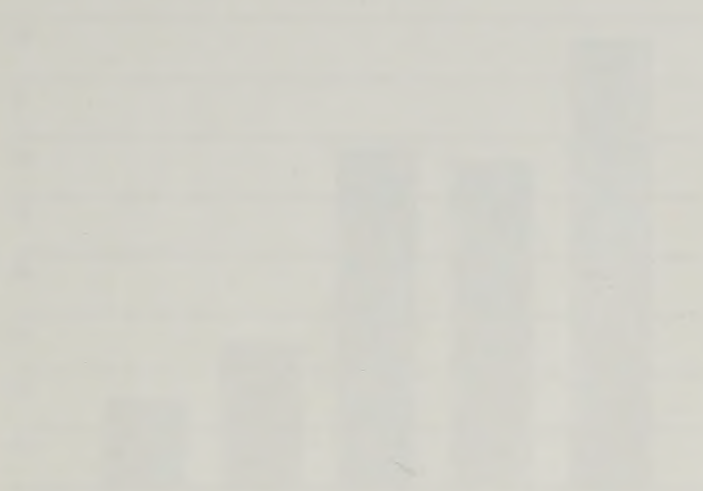


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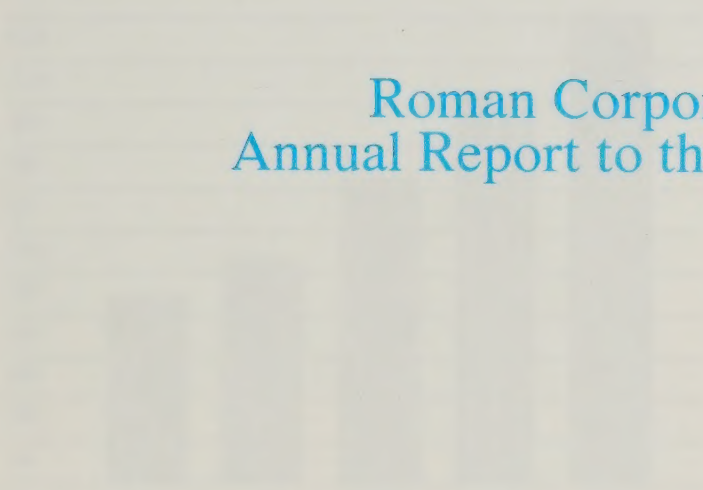
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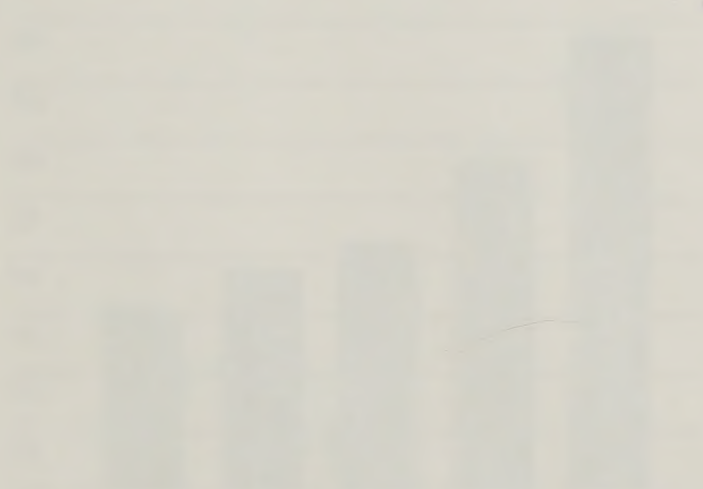
Review of the Year



Key Facts



Shareholder Profile



Roman Corporation Limited Annual Report to the Shareholders 1980

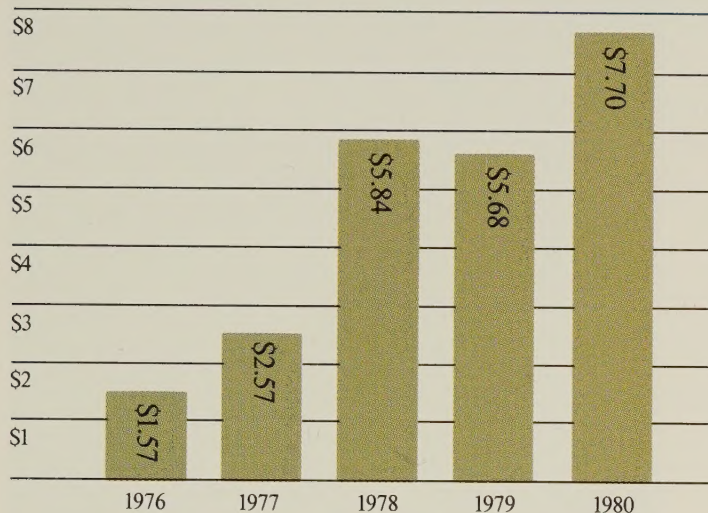


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Annual Report to the Shareholders 1980
Roman Corporation Limited

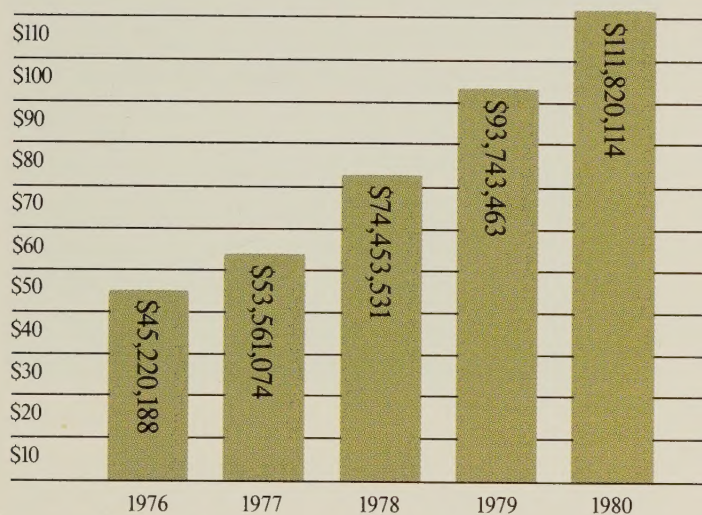
1980 Highlights

Earnings Per Share



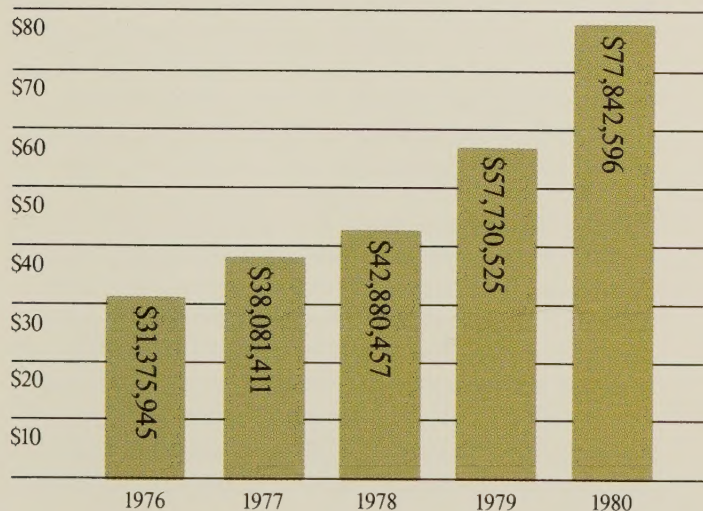
Total Assets

(\$Million)



Shareholders' Equity

(\$Million)



Above: Denison's service rig and platform, offshore Greece, completing wells on the South Kavala gas project.

Below: Onshore Greece facilities nearing completion for production of oil, gas and sulphur.

Report to Shareholders

We take pleasure in reporting that 1980 was a record year both in terms of earnings and asset growth. There are solid reasons for management to believe that this trend will continue as Denison Mines Limited, your Company's major investment, completes its expansion programs and brings major new energy projects into production.

Financial:

Consolidated net earnings were \$20,112,071 (\$7.70 per share) in 1980, an increase of 35% over the \$14,850,068 (\$5.68) per share) reported in 1979. The improved earnings were due principally to the record earnings achieved by Denison which had higher gains on the sale of interests in mineral ventures and for the first time received income from oil and gas production outside of Canada as the Spanish offshore oil project and natural gas wells in Louisiana were brought on stream.

Dividends received on the Company's holding in Denison Mines Limited increased to \$9,384,659 in 1980 from \$7,362,976 in 1979. Based on the current holdings and dividend rate of Denison, receipts are expected to be \$12,565,192 for the full 1981 fiscal year.

The working capital deficit increased during the year mainly as a result of additional investments in Denison Mines, Canray Resources Limited, Seagull Petroleum Limited, Blythwood Mining Limited and the inclusion of the current portion of the income debenture.

Investments:

Denison Mines: Consolidated net earnings of Denison increased 31% to \$73,698,757 in 1980 from \$56,092,061 in 1979. Roman Corporation at year-end held 6,274,596 shares or 34.3% of Denison's total issue.

Uranium: The major portion of the expansion program at Elliot Lake will be completed in mid-1981 to enable the processing of 15,000 tons of ore daily. Uranium production is fully committed under long-term contracts to the year 2011.

During 1980, Denison purchased the Koongarra deposits in Australia containing approximately 30 million pounds of U_3O_8 . It is planned to bring these deposits into production at the rate of 2.5 million pounds of uranium concentrate a year.



Stephen B. Roman
Chairman

Oil & Gas: Greece: Progress on the Prinos/South Kavala project (68.75% owned by Denison) is well advanced and production should commence within weeks. The onshore facilities are nearing completion for the treatment of production from the Prinos oil and South Kavala gas fields. Oil production facilities are designed to produce 25,000 barrels a day.

Spain: The first phase of the offshore Casablanca Field is now completed and producing regularly, adding a significant new source of income. The second phase includes the completion of a production platform and additional drilling designed to bring total production to 45,000 barrels a day. Denison holds an approximate 12.5% interest.

Canada: Denison participated successfully in the drilling of nine oil and three gas wells in various

areas of Alberta and British Columbia during 1980.

United States: Offshore Louisiana, Denison has purchased one additional block bringing the total to four. Production has commenced from Ship Shoal Block 320, Denison's share being approximately 5,400 MCF a day. Four indicated successful gas wells have been drilled and cased for production on West Cameron Block 624.

In California, a 50% working interest was acquired in a 2,000 acre lease block and a 15,000 foot well will be drilled in 1981.

United Republic of Cameroon: Interests are held in three permits in the Cameroon. Condensate-bearing gas was discovered in one of the permits where Denison holds a 14.4% interest. Drilling will continue in 1981 on these permits.

Coal: Quintette Coal Limited (38.25% owned by Denison) recently signed an agreement with members of the Japanese steel industry providing for the sale of 5 million tonnes of metallurgical coal annually over a 15 year period. Also, efforts are underway to reach agreement for the sale of thermal coal from this project. Production is scheduled to commence in late 1983 for this major development managed by Denison.

Negotiations are continuing for long term sales contracts related to other projects located in northeastern British Columbia and west central Alberta.

Potash: Development of Denison's potash property in New Brunswick continued during the year. A shaft is being sunk to reach the estimated 200 million tons of high quality potash. Final feasibility studies should be completed by late 1981 and it is anticipated that shipments of this agricultural mineral should start in late 1983. To aid marketing efforts, Denison sold 40% of its interest to Potash Company of Canada, owned jointly by two established European potash producers — Enterprise Minière et Chimique of France and Kali and Salz Aktiengesellschaft of Kassel, West Germany.

Seagull Petroleum Limited: In January, 1981 your Company purchased a fourth U.S. \$1,000,000 convertible debenture. Roman has the right to purchase a final U.S. \$1,000,000 debenture in January, 1982. These debentures can be converted into a 51% equity interest in

Seagull or into a direct property interest in Seagull's properties.

In East Texas, sales of natural gas and oil from its Pinehill field currently provide Seagull with approximately \$5,000,000 of cash flow annually. Since our last report Seagull has participated in a significant discovery in its Vega No. 1 offshore wildcat drilled between Sicily and Malta. The well encountered some 350 feet of oil-bearing Inici formation between 8,587 and 8,954 feet. Production testing has now been completed with a volume flow rate of approximately 5,000 barrels of oil a day of 18.4 gravity. Seagull holds a 10% interest in this discovery. Although reserve estimates are as yet unknown, production testing results indicate that this discovery will prove to be a major oil field. A second test is planned later this year to reach the deeper Taormina dolomite, the major producing reservoir in south-east Sicily, at a depth of some 17,000 feet. Additional activity in 1981 will involve the drilling of exploratory wells in Texas, onshore Sicily, England and Scotland. Exploration will continue to be conducted on a global basis.

Temagami Oil & Gas Ltd.: Your Company holds a \$5,000,000 convertible debenture purchased in December, 1979. The debenture may be converted into common shares at \$1½ per share up to November 15, 1981 and thereafter in escalating stages to \$2.00 per share until November 15, 1984. Since late 1978, Temagami has participated in the drilling of over 38 wells, 31 of which are indicated producers. The principal property is the Highland Lease in Wyoming where three wells are currently producing about 800 barrels a day. A fourth well is currently being tested and is expected to produce a further 400 barrels a day. There are six additional locations to drill on this 45% net revenue lease. Substantially all of Temagami's cash flow is derived from its United States properties, currently running at approximately \$350,000 per month. Although Temagami participates in projects in Canada, the main thrust of its activities will be in the United States where returns on oil are judged to be considerably better.

Blythwood Mining Limited: Your Company holds 2,500,000 shares which were received on completion of the \$800,000 exploration program on the Sonora property in Mexico. Inferred ore reserves based on diamond drill data are estimated to be



George E. McClure
President

in excess of 233,000 tons and containing quantities of cobalt, silver and gold with a gross recoverable value of some \$44,000,000 at current metal prices. Marketing efforts related to this project are continuing.

Canray Resources Ltd.: In December, 1980 Roman Corporation Limited and Denison Mines Limited committed to purchase equally an aggregate \$2,000,000 of 12½% convertible debentures. The initial \$1,000,000 aggregate was purchased and the remainder is at Canray's call within the succeeding year. The new financing will allow Canray to proceed with current operations and undertake new ventures. Canray has participated in 30 oil and/or gas wells in Texas, Louisiana and Nebraska of which 23 are producing or are considered productive.

Operations:

Strathcona Paper Company: Your operating division successfully introduced a clay coated box-board to the market. It has been well received by customers. The division was able to limit downtime during the year to three weeks and to achieve satisfactory earnings when business activity was below normal. Negotiations with employees for a new agreement were concluded early in 1981 without a labour stoppage. Although the

general business outlook for 1981 remains uncertain, shipments early in the year have been good.

Management:

In December, 1980 Vincent L. Chapin retired as President of your Company. On behalf of the directors and shareholders, we take this opportunity to express a deep sense of gratitude for his valued contributions and accomplishments since elected in 1975. Mr. Chapin will continue as a member of the Board of Directors.

George E. McClure assumed the responsibilities of President on December 1, 1980 and subsequently has been appointed a director of the Company. Formerly a senior officer with McCain Foods of New Brunswick, Mr. McClure brings to the Company a depth of business experience and a wide range of expertise in the corporate development field.

Outlook:

Management anticipates the continuation of improved rates of growth for the Company over the next several years as Denison Mines successfully completes a number of significant resource and energy projects. Seagull Petroleum Limited along with your Company's other investments in oil and gas, minerals and paper products will also make major contributions. Building on our strong asset base, we will actively pursue the acquisition of additional profitable ventures.

On behalf of the Board of Directors

A stylized, handwritten signature in blue ink, likely belonging to Stephen B. Roman.

STEPHEN B. ROMAN
Chairman of the Board

A stylized, handwritten signature in blue ink, likely belonging to George E. McClure.

GEORGE E. MCCLURE
President

Toronto, Ontario
February 15, 1981

Officers

Stephen B. Roman, LL.D.
Chairman of the Board

George E. McClure
President

Helen Roman-Barber
Vice-President

John S. Grant, Q.C.
Secretary

Frederick G. Roman
Treasurer

Directors

Vincent L. Chapin

Charles D. Parmelee

John H. Coleman

Joseph A. Patrick

John S. Grant

W. Earl Riddolls

George B. Heenan

Helen Roman-Barber

John Kostuik

Stephen B. Roman

George E. McClure

Head Office

Suite 3900, South Tower
Royal Bank Plaza
P.O. Box 40
Toronto, Ontario
M5J 2K2

Auditors

Coopers & Lybrand
Toronto, Ontario

Bankers

The Royal Bank of Canada
Toronto, Ontario

Registrar & Transfer Agent

Guaranty Trust Company of Canada
Toronto, Ontario

Division Office and Mill

Strathcona Paper Company
Box 130
Napanea, Ontario
K7R 3L6

President

W. Earl Riddolls

*Vice-Presidents:
Marketing*

William F. Finlay

*Business Development
& Operations*

Ronald G. MacNeill

Controller

Paul F. Mason

Consolidated Balance Sheet as at December 31, 1980

Assets

	1980 \$	1979 \$
<i>CURRENT ASSETS</i>		
Marketable securities	45,900	119,688
Accounts receivable	2,913,090	1,670,946
Inventories	1,061,550	946,963
Prepaid expenses	8,221	57,338
	<u>4,028,761</u>	<u>2,794,935</u>
<i>LONG-TERM INVESTMENTS</i> (note 2)	<u>100,385,251</u>	<u>83,781,747</u>
<i>FIXED ASSETS</i> (note 3)	<u>6,930,656</u>	<u>6,833,208</u>
<i>OTHER ASSETS</i>	475,446	333,573
	<u><u>111,820,114</u></u>	<u><u>93,743,463</u></u>

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Roman Corporation Limited as at December 31, 1980 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COOPERS & LYBRAND
Chartered Accountants

January 30, 1981

Liabilities

	1980	1979
	\$	\$
<i>CURRENT LIABILITIES</i>		
Bank loan and overdraft	1,296,583	4,485,548
Accounts payable and accrued liabilities	1,743,167	1,390,478
Dividends payable	137,768	136,912
Current portion of income debenture (note 4)	7,500,000	—
	<u>10,677,518</u>	<u>6,012,938</u>
<i>DEFERRED INCOME TAXES</i>	800,000	—
<i>INCOME DEBENTURE</i> (note 4)	22,500,000	30,000,000
	<u>33,977,518</u>	<u>36,012,938</u>

Shareholders' Equity*CAPITAL STOCK*

Authorized —
5,000,000 shares without par value

Issued and fully paid —
2,613,000 shares

*CONTRIBUTED SURPLUS**RETAINED EARNINGS*

	3,806,777	3,806,777
	280,598	280,598
	73,755,221	53,643,150
	<u>77,842,596</u>	<u>57,730,525</u>
	<u>111,820,114</u>	<u>93,743,463</u>

Signed on Behalf of the Board

George E. McClure, Director

Helen Roman-Barber, Director

Consolidated Statement of Earnings and Retained Earnings

For the Year Ended December 31, 1980

	1980	1979
	\$	\$
<i>REVENUE</i>		
Sales	19,465,072	16,125,498
Share of income determined by the equity method	21,797,539	16,228,482
Other interest and dividends	647,258	289,080
Gain (loss) from security transactions	69,345	(20,924)
Services and rental income	<u>62,400</u>	<u>62,400</u>
	<u>42,041,614</u>	<u>32,684,536</u>
<i>EXPENSES</i>		
Cost of operations exclusive of the following items	15,837,434	13,477,683
Selling, general and administrative expenses	1,718,926	1,781,976
Interest (incurred on long-term debt \$2,325,042; 1979 — \$2,069,160)	2,946,101	2,114,164
Depreciation	<u>627,082</u>	<u>460,645</u>
	<u>21,129,543</u>	<u>17,834,468</u>
<i>EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEM</i>	<u>20,912,071</u>	<u>14,850,068</u>
<i>PROVISION FOR INCOME TAXES</i>		
Current	—	460,000
Deferred	<u>800,000</u>	<u>—</u>
	<u>800,000</u>	<u>460,000</u>
<i>EARNINGS BEFORE EXTRAORDINARY ITEM EXTRAORDINARY ITEM</i>	<u>20,112,071</u>	<u>14,390,068</u>
Income tax reduction on carry-forward of losses	<u>—</u>	<u>460,000</u>
<i>NET EARNINGS FOR THE YEAR</i>	<u>20,112,071</u>	<u>14,850,068</u>
<i>RETAINED EARNINGS — BEGINNING OF YEAR</i>	<u>53,643,150</u>	<u>38,793,082</u>
<i>RETAINED EARNINGS — END OF YEAR</i>	<u>73,755,221</u>	<u>53,643,150</u>
<i>EARNINGS PER SHARE FOR THE YEAR BEFORE EXTRAORDINARY ITEM</i>	<u>\$ 7.70</u>	<u>\$ 5.51</u>
<i>EARNINGS PER SHARE FOR THE YEAR</i>	<u>\$ 7.70</u>	<u>\$ 5.68</u>

Consolidated Statement of Changes in Financial Position

For the Year Ended December 31, 1980

	1980 \$	1979 \$
<i>SOURCES OF WORKING CAPITAL</i>		
Current operations —		
Earnings before extraordinary item	20,112,071	14,390,068
Items not affecting working capital in the year —		
Depreciation	627,082	460,645
Deferred taxes	800,000	—
Share of income determined by the equity method, less dividends received	(12,412,880)	(8,865,506)
Total from current operations	9,126,273	5,985,207
Income tax reduction on carry-forward of losses	—	460,000
	<u>9,126,273</u>	<u>6,445,207</u>
<i>USES OF WORKING CAPITAL</i>		
Purchase of long-term investments	4,190,624	13,309,206
Additions to fixed assets	724,530	1,818,813
Other assets	141,873	76,767
Reduction of long-term debt	7,500,000	—
	<u>12,557,027</u>	<u>15,204,786</u>
<i>DECREASE IN WORKING CAPITAL</i>	<u>(3,430,754)</u>	<u>(8,759,579)</u>
<i>WORKING CAPITAL (DEFICIENCY) — BEGINNING OF YEAR</i>	<u>(3,218,003)</u>	<u>5,541,576</u>
<i>WORKING CAPITAL (DEFICIENCY) — END OF YEAR</i>	<u>(6,648,757)</u>	<u>(3,218,003)</u>

Notes to Consolidated Financial Statements

For the Year Ended December 31, 1980

1. Summary of Accounting Policies

(a) Basis of consolidation

The consolidated financial statements include the accounts of the company and a wholly-owned subsidiary, Roman International Limited.

(b) Translation of foreign currencies

Foreign currencies have been translated into Canadian dollars as follows: Current assets and liabilities at rates in effect at the end of the year; non-current assets and liabilities and revenue and expenditure items at approximate rates in effect at dates of transactions.

(c) Marketable securities

Marketable securities are carried at their quoted market value which is lower than cost.

(d) Inventories

Finished goods are valued at the lower of cost and net realizable value. Raw materials and supplies are valued at the lower of cost and replacement cost.

(e) Long-term investments

- (i) Investments in companies, principally Denison Mines Limited, in which the company has significant influence are accounted for by the equity method, by which the original cost of the shares is adjusted for the company's share of earnings or losses less dividends since significant influence was acquired. Portfolio investments are carried at cost. All long-term investments are written down to their estimated inherent worth when there is evidence of a permanent decline below their carrying value.
- (ii) The excess cost of the company's investment over its share in the underlying equity of those companies referred to above at the dates of acquisition is considered to be applicable to the mineral properties of these companies and is being amortized over twenty-five years. The unamortized excess at December 31, 1980 amounted to \$19,830,634. The amortization charge for the year was \$1,101,517 (1979 — \$974,231) and has been deducted in calculating the share of income determined by the equity method.

(f) Exploration expenditures

Exploration expenditures made in the year are written off to expenses.

(g) Fixed assets

Fixed assets are recorded at cost and are depreciated using the straight-line method over their estimated useful lives at the following annual rates:

Buildings and structures	4%
Plant and equipment	7%-10%
Vehicles	33⅓%

(h) Income taxes

The company follows the tax allocation method of accounting whereby the provision for income taxes is based upon income reported in the accounts.

2. Long-Term Investments

(a) This item comprises:

	1980 \$	1979 \$
Investments in companies, principally Denison Mines Limited, accounted for by the equity method — market value \$359,352,340 (1979 — \$238,859,686)	91,337,710	76,400,814
Shares in other companies, at or below cost — market value \$41,325 (1979 — \$456,538)	131,833	131,833
Convertible debentures in other companies — at cost (note 2(c))	8,915,708	7,249,100
	<u>100,385,251</u>	<u>83,781,747</u>

(b) The quoted market values referred to above do not necessarily represent the realizable value of these holdings which may be more or less than that indicated by market quotations.

(c) Convertible debentures in other companies comprise:

- (i) Convertible debentures of \$3,415,708 (U.S.\$3,000,000) issued by Seagull Petroleum Limited ("Seagull") and purchased under an agreement dated June 17, 1977. Under the agreement the company has the option to invest up to an additional U.S.\$1,000,000 on or before January 15, in each of the years 1981 and 1982. The option may be exercised by the purchase of additional debentures, by the purchase of shares of Seagull at U.S.\$4.55 per share or by the acquisition of a direct property interest in Seagull's properties.

The convertible debentures will mature on July 15, 1987 and are convertible into shares of Seagull at U.S.\$4.55 per share or into a direct interest in Seagull's properties. The convertible debentures do not bear interest until July 8, 1982 and may be redeemed at any time after that date.

Subsequent to December 31, 1980, the company exercised its option by investing a further U.S.\$1,000,000.

- (ii) A convertible debenture of \$5,000,000 issued by Temagami Oil & Gas Ltd. ("Temagami") which matures on November 15, 1984, bears interest at prime less 2% and is convertible in whole or in part into fully paid shares of Temagami at prices varying from \$1.33 to \$2 per share.
- (iii) A convertible debenture of \$500,000 issued by Canray Resources Ltd. ("Canray") under an agreement dated October 31, 1980. The debenture matures on December 15, 1985, bears interest at 12½% and is convertible in whole or in part into fully paid shares of Canray at prices varying from \$2.30 to \$4 per share. Under the agreement the company has agreed to purchase before December 15, 1981 a further debenture of \$500,000 having the same terms and conditions.

3. Fixed Assets

Fixed assets at cost less related accumulated depreciation are as follows:

	1980			1979
	Cost \$	Accumulated Depreciation \$	Net \$	Net \$
Land	156,984	—	156,984	201,984
Building and structures	1,817,547	595,634	1,221,913	1,177,100
Plant and equipment	7,899,652	2,347,893	5,551,759	5,454,124
	<u>9,874,183</u>	<u>2,943,527</u>	<u>6,930,656</u>	<u>6,833,208</u>

4. Income Debenture

Under an agreement entered into in 1978, the company issued an income debenture in the amount of \$30,000,000, with interest at fifty-two percent of the aggregate of prime plus one-half of one percent. The amount is to be repaid by payments of \$7,500,000 on October 31, 1981 and \$22,500,000 on October 31, 1982. The company may, provided it can meet certain requirements, prepay all or any part of the principal amount, subject to a minimum of \$500,000 for any prepayment. Under the agreement the company will not, without prior approval of the bank, pledge any of its assets, incur debt exceeding \$1,000,000, except subordinated debt, dispose of any assets with a value in excess of \$1,000,000 or allow the ratio of its total debt to shareholders' equity to be more than three-quarters to one. In addition, profits shall be at two times the amount sufficient to pay all interest on this and any other income debentures. The company can be released from the aforementioned restrictions by a pledge to the bank of some of its shares of Denison Mines Limited.

5. Statutory Information

Directors and senior officers, as defined in The Business Corporations Act of Ontario, received direct remuneration in 1980 of \$356,744 (1979 — \$373,681).

6. Capital Stock

On January 14, 1981 the directors of the company resolved to subdivide the company's share on a four-for-one basis. The resolution is subject to approval by the shareholders.

7. Related Party Transactions

Two directors of the company are also directors of a company from which the company purchased a convertible debenture during the year. In the opinion of the company, the terms of the debenture are no less favourable than would have been obtained if the transaction had been with an unrelated party.

The company has entered into exploration joint ventures in which associated companies are also participants. In each case, each participant incurs its proportionate share of costs relative to its joint venture interest.

R4H - Alta Km

11:00 a.m.

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R4H - Alta Km

11:00 a.m.

